

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 CIAE-00 COME-00 EB-08 INR-07
LAB-04 NSAE-00 SIL-01 DODE-00 PA-01 USIA-06
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R 251736Z JAN 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 4486
INFO ALL EC CAPITALS
USMISSION GENEVA
AMEMBASSY VIENNA
AMEMBASSY BERN
AMEMBASSY OSLO
AMEMBASSY STOCKHOLM
AMEMBASSY HELSINKI

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USEEC

GENEVA FOR MTN; PARIS FOR OECD
E.O. 11652: N/A
TAGS: EEC, ETRD
SUBJECT: EC/EFTA TALKS ON STEEL ENCOUNTER DIFFICULTIES

1. COMMISSION OFFICIALS AND CONTACTS IN OTHER MISSIONS
HAVE TOLD US THAT THE COMMISSION IS FACING CON-
SIDERABLE DIFFICULTY IN ITS NEGOTIATIONS ON PRICE AND
MARKET SHARE WITH EFTA COUNTRIES. THE COMMUNITY PRO-
POSAL APPEARS TO INVOLVE A GUARANTEED MARKET SHARE
BASED ON 1976 EXPORT LEVELS MINUS AN 8 PERCENT ADJUSTMENT
FOR SUBSEQUENT SLACKENING OF DEMAND. PRICES SHOULD NOT
BE LESS THAN 2.5 PERCENT BELOW THE EC LEVEL FOR THOSE
PRODUCTS COMING UNDER MANDATORY MINIMUM PRICES AND NO
LOWER THAN THOSE OBTAINING ON DOMESTIC EFTA MARKETS FOR
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OTHER PRODUCTS.

2. THIS WAS UNACCEPTABLE TO AUSTRIA AND SWEDEN, WHEN
THEY MET WITH THE COMMISSION LAST WEEK. ALTHOUGH EFTA
PRICES ARE SOMETIMES LOWER THAN EC PRICES, IN MOST CASES
THEY PROVIDE LITTLE OR NO MARGIN FOR TRANSPORT COSTS
AND NORMAL PRICE MARGINS FOR IMPORT PENETRATION.
AUSTRIANS, IN PARTICULAR, HAVE COMPLAINED THAT A NEW ITAL-

IAN MEASURE RESTRICTING THE NUMBER OF ENTRY POINTS FOR IMPORTS HAS IN SOME CASES NEARLY DOUBLED FREIGHT CHARGES BECAUSE OF BACK-TRACKING (FROM CUSTOMS POINTS TO DELIVERY LOCATIONS).

3. EFTA COUNTRIES, MOST OF WHICH HAVE DEFICIT STEEL TRADE BALANCE WITH THE EC, ARE REPORTEDLY ANGRY WITH THE EC OVER ITS HIGH-HANDED DISREGARD FOR EXISTING RULES ON PRICING UNDER THE ECSC/EFTA AGREEMENTS AND COMMISSION OFFICIALS ARE CONCERNED ABOUT THE POSSIBILITY OF LEGAL CHALLENGES TO THE SYSTEM (NO EFTA COUNTRIES ARE TARGETS FOR THE ACCELERATED ANTI-DUMPING PROCEDURES UNDER THE BASE PRICE SYSTEM). THE SWISS ARE REPORTEDLY PARTICULARLY UPSET AND HAVE TOLD COMMISSION FLATLY THEY WOULD NOT BE PARTY TO ANY AGREEMENT. (UNLIKE OTHER EFTA COUNTRIES, THE SWISS HAVE NO PRESENT AGREEMENT WITH THE EC TO RESPECT EC STEEL PRICES.) NORDIC COUNTRIES, AND NORWAY IN PARTICULAR, ALSO PRESENT PROBLEMS. AUSTRIAN MISSION TOLD US THAT THE COMMISSION WAS GOING TO HAVE TO RETHINK ITS ORIGINAL STRATEGY OF HAVING EFTA COUNTRIES EAGERLY LINE UP TO SIGN A PRE-DRAFTED DOCUMENT. THEY SAY THAT, AT A MINIMUM, THE TALKS, PRESENTLY RECESSED FOR CONSULTATIONS WITH THE CAPITALS, WILL RUN BEYOND THE END OF FEBRUARY. HINTON

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